

2018

ANNUAL REPORT



Caisse Desjardins de Châteauguay

Head office

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NOTE TO READERS

We've updated our annual report format as at December 31, 2018. This year's report provides a brief overview of our key financial data.

This document complies with the reporting requirements of the *Act respecting financial services cooperatives* and the Autorité des marchés financiers and was approved by the caisse board of directors.

Ginette Gagnon Dumas, Chair
Émilie Boudriau, Secretary

About Caisse Desjardins de Châteauguay:

- 19,948 members
- \$112,258 given back through our Community Development Fund
- A dynamic management team led by Natalie Tremblay

• Dedicated officers

Ginette Gagnon Dumas	Chair
Claude Filiatrault	Vice-Chair
Émilie Boudriau	Secretary
Céline Chicoine Boudrias	Director
Frédéric Daudelin Mouton	Director
Gabriel Vachon	Director
Gabrielle Brind'Amour	Director
Pascale Sauvé	Director
Stéphane L'Écuyer	Director

Desjardins Group Highlights

- Surplus earnings before member dividends up \$175 million compared to 2017, for a total of \$2,326 million, including:
 - \$1,272 million from Personal and Business Services
 - \$894 million from Wealth Management and Life and Health Insurance
 - \$173 million from Property and Casualty Insurance
- Outstanding loans and acceptances up \$13.1 billion
- \$57.4 billion in assets under management
- 17.3% Tier 1A capital ratio
- 9.3% return on equity compared to 9.1% in 2017
- 8.9% adjusted return on equity compared to 8% in 2017
- Total assets up \$20.4 billion
- \$16,576 million in operating income
- \$389 million given back to members and the community

CAISSE FINANCIALS

- Assets of \$758,623K, up 4.7%
- Liabilities of \$691,961K, an increase of 4.9%
- Equity of \$66,662K, up 3.1%
 - Capital stock: \$2,690K
 - Distributable surplus earnings: \$9,067K
 - Accumulated other comprehensive income: \$(26)K
 - Reserves: \$54,931K
 - Stabilization reserve: \$2,145K
 - Reserve for future member dividends: \$-K
 - Community Development Fund: \$343K
- Operating surplus earnings of \$3,555K, down 10.2%
- Total Interest income of \$21,208K, an increase of 8.1%
- Interest expenses of \$10,461K, up 18.7%
- Other income totalling \$4,763K, up 2.7%
- Non-interest expenses of \$11,620K, an increase of 1.3%

All loans to restricted parties* were granted in accordance with the caisse's applicable rules of professional conduct. Loans granted to restricted parties totalled \$45,512.

*Restricted parties include:

- a) Caisse directors and the caisse general manager, including their relatives
- b) The Federation's directors, including their relatives

Investment Funds

The money that caisses invest in these funds allows the Fédération des caisses Desjardins du Québec (the Federation) to invest in Desjardins Group subsidiaries and regional projects. The table below indicates the caisse's interest in each investment fund and the fund's return at the end of the fiscal year.

	Value of shares held as at December 31, 2018 (\$)	Average return (%)
Provincial Funds		
Société de Services des caisses Desjardins (SER)	(252)	0.0
Desjardins Capital Management (INV)	47,501	8.0
Desjardins Financial Holding (FIN5A)	18,967,673	11.5

The Federation's obligation to holders of permanent shares

Further to a recommendation issued by the Autorité des marchés financiers, the Federation guarantees that it will indemnify Quebec caisse members holding permanent shares in the event of losses resulting from misinformation in the audited Combined Financial Statements and annual Desjardins Group Management's Discussion and Analysis available at www.sedar.com. The Federation's obligation in this matter is subject to certain conditions. Holders of permanent shares can request more information at their caisse.

The Combined Financial Statements of the Desjardins caisses in Quebec are also available to the public at www.desjardins.com.

SUMMARY OF THE DEPOSIT PORTFOLIO

As at December 31, 2018, the caisse's member deposits totalled \$478,515K, up \$15,146K, or 3.3%, year over year. Deposits made by individual members provide the main source of funding for the caisse's expansion. These deposits represent 79.6% of total deposits as at December 31, 2018. The following table shows the breakdown of deposits by type of depositor with amounts by type of savings *.

(in thousands of Canadian dollars)	Checking accounts	Tiered savings accounts	Regular savings accounts	Term savings	Registered savings plans	Total as at December 31 2018	Total as at December 31 2017
Individuals	54,326	34,901	44,250	79,514	167,946	380,937	363,067
Businesses	33,995	4,199	15,904	31,591	-	85,689	87,418
Public sector and other	5,685	64	3,558	2,582	-	11,889	12,884
Total	94,006	39,164	63,712	113,687	167,946	478,515	463,369

*See Note 2 to the Combined Financial Statements of the Desjardins caisses in Quebec available at www.desjardins.com for additional information on presentation and significant accounting policies.

SUMMARY OF THE LOAN PORTFOLIO

The information in the table below was determined in accordance with IFRS 9 as at December 31, 2018, and in accordance with IAS 39 as at December 31, 2017. For more information, see Note 2 (Basis of presentation and significant accounting policies) to the Combined Financial Statements of the Desjardins caisses in Quebec for the year ended December 31, 2018, available at www.desjardins.com.

As at December 31, 2018, the quality of the caisse's loan portfolio remained high. Gross impaired loans represented only 0.5% of total gross loans. The table below shows the carrying amount of loans and their allowance balance by stage:

	Non-credit impaired		Credit-impaired				Total		Net carrying amount
	Stage 1		Stage 2		Stage 3				
As at December 31, 2018 (in thousands of Canadian dollars)	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	
Personal									
Residential							396,335		
Consumer and other							100,145		
	471,215	135	24,536	194	729	68	496,480	397	496,083
Business									
Commercial and industrial							98,795		
Agriculture, forestry and fishing							78,741		
Public administration and institutions							7,194		
	167,926	(132)	13,976	117	2,828	420	184,730	405	184,325
Total	639,141	3	38,512	311	3,557	488	681,210	802	680,408

The following table shows the credit quality of loans:

	Gross loans	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance	Net loans
As at December 31, 2017 (in thousands of Canadian dollars)						
Personal						
Residential	366,533					
Consumer and other	95,360					
	461,893	12,323	212	3	247	461,643
Business						
Commercial and industrial	102,355					
Agriculture, forestry and fishing	71,817					
Public administration and institutions	4,510					
	178,682	1,304	636	482	262	177,938
Total	640,575	13,627	848	485	509	639,581

Further to adoption of IFRS 9 of January 1, 2018, all loans included in Stage 3 of the impairment model are considered impaired. The criteria for considering a loan to be impaired were different under IAS 39.